

Report on the

# Troy University

Troy, Alabama

October 1, 2020 through September 30, 2021

Filed: June 24, 2022



## Department of Examiners of Public Accounts

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*Rachel Laurie Riddle, Chief Examiner*





Rachel Laurie Riddle  
*Chief Examiner*

**State of Alabama**  
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**Examiners of Public Accounts**

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Honorable Rachel Laurie Riddle  
Chief Examiner of Public Accounts  
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on Troy University, Troy, Alabama, for the period October 1, 2020 through September 30, 2021. Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

*Rachel Hamm*

Rachel Hamm  
Examiner of Public Accounts

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## Department of **Examiners of Public Accounts**

### **SUMMARY**

**Troy University**  
**October 1, 2020 through September 30, 2021**

**Troy University Foundation**  
**October 1, 2020 through September 30, 2021**

Troy University (the “University”) is a state-supported public institution of higher education accredited by the Southern Association of Colleges and Schools Commission on Colleges to award associate, baccalaureate, master’s, education specialist, and doctoral degrees. The University is comprised of a network of campuses throughout Alabama and worldwide. The University is managed by a Board of Trustees appointed by the Governor and confirmed by the state Senate. The University offers studies in the following colleges: the College of Education; the College of Arts and Sciences; the College of Communication and Fine Arts; the College of Health and Human Services; and the Sorrell College of Business.

Troy University Foundation (the “Foundation”) was established to promote the study and teaching of all subjects that may be offered at or under the auspices of Troy University and to enhance the University’s ability to seek private funding.

This report presents the results of an audit, the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the University complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. This report also presents the results of an audit of the University’s component unit, the Foundation, which was audited by other auditors. The University’s audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, as well as, the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12. The Foundation audit was conducted in accordance with auditing standards generally accepted in the United States of America.

An unmodified opinion was issued on the basic financial statements of the University and its component unit, which means the financial statements present fairly, in all material respects, the financial positions and the results of operations for the fiscal year ended September 30, 2021.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state laws and regulations.

**EXIT CONFERENCE**

The following officials/employees were invited to an exit conference to discuss the results of the audit: Dr. James Bookout, Senior Vice-Chancellor for Financial Affairs and Online Education and Tara Donaldson, Vice-Chancellor and Controller. The following individuals attended the exit conference by teleconference: Tara Donaldson, Vice-Chancellor and Controller and Conni Moseley, Senior Associate Controller. Representing the Department of Examiners of Public Accounts were Annette G. Williams, Audit Manager and Rachel Hamm, Examiner.

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# *Independent Auditor's Report*

## **Independent Auditor's Report**

Troy University Board of Trustees  
Dr. Jack Hawkins, Jr., Chancellor – Troy University  
Troy, Alabama 36082

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Troy University, a component unit of the State of Alabama, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Troy University's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Troy University Foundation, a discretely presented component unit, which represents 100% of the total assets, total net assets and revenues of the component unit. Those financial statements, which were prepared in accordance with the Financial Reporting Standards of the Financial Accounting Standards Board (FASB), were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Troy University Foundation, is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Troy University Foundation were not audited in accordance with ***Government Auditing Standards***.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Troy University and Troy University Foundation, as of September 30, 2021, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the University's Proportionate Share of the Collective Net Pension Liability, the Schedule of the University's Contributions – Pension, the Schedule of the University's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability and the Schedule of the University's Contributions – Other Postemployment Benefits (OPEB) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

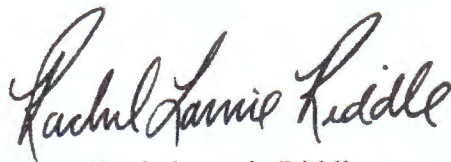
### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Troy University's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 10) is presented for the purpose of additional analysis as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with ***Government Auditing Standards***, we have also issued our report dated June 7, 2022, on our consideration of Troy University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Troy University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering Troy University's internal control over financial reporting and compliance.



Rachel Laurie Riddle

Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 7, 2022



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*Management's Discussion and Analysis*  
*(Required Supplementary Information)*

# TROY UNIVERSITY™

## Management's Discussion and Analysis (Unaudited)

### INTRODUCTION

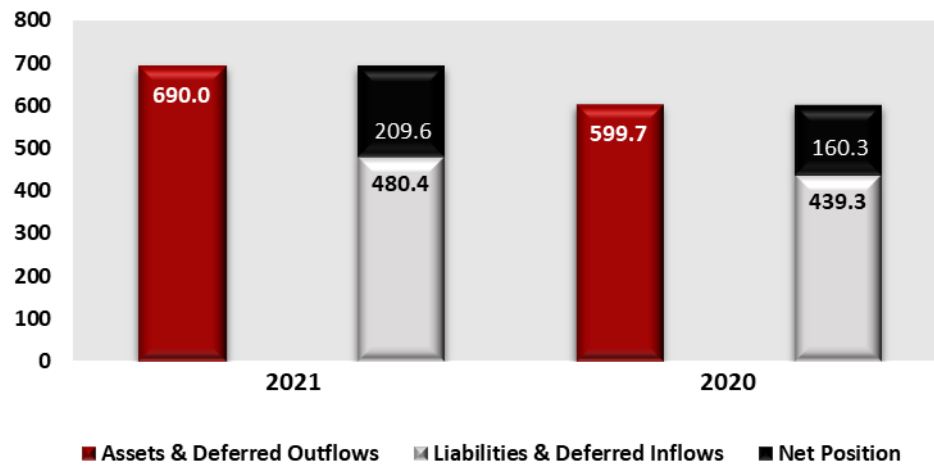
The following discussion and analysis provide an overview of the financial position of Troy University ("TROY" or "the University") at September 30, 2021. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Troy University, a public institution of higher education with more than 16,000 students headquartered in Troy, Alabama operates four campuses in Alabama along with multiple domestic sites and international locations. TROY has long been a provider of quality undergraduate and graduate learning. Along with being a leader in distance education, TROY Online provides undergraduate and graduate level courses. The University has a strong affiliation with the military which began in Fort Rucker, Alabama in 1950.

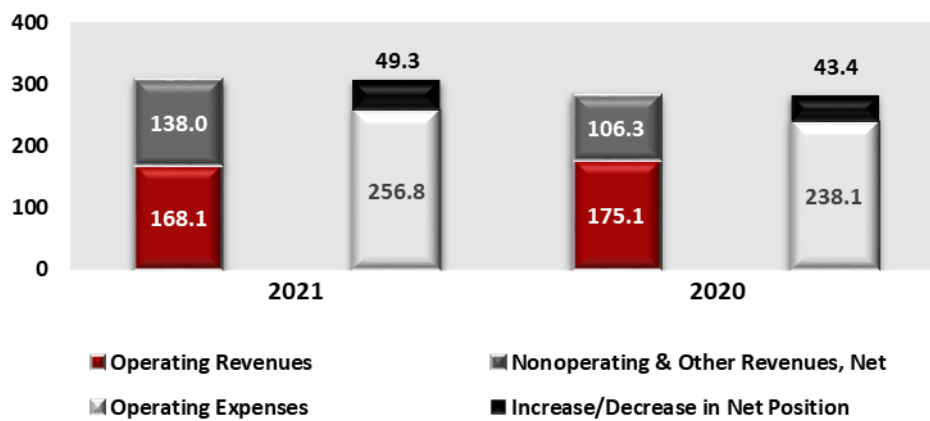
### FINANCIAL HIGHLIGHTS

The University's financial position remains strong with a 31% increase in net position for the fiscal year end September 30, 2021. TROY supplements tuition and fee revenue with state appropriations, private support from various groups and, most importantly, provides a high-quality education at an affordable rate. The University strives to be prudent stewards of our financial resources by implementing careful cost controls, conservative utilization of debt, and adherence to a long-range capital plan for the maintenance and renewal of our campus facilities. As of September 30, 2021, the University's total assets & deferred outflows were \$690 million. Net position, which represents the residual interest in the University's assets and deferred outflows after deducting liabilities and deferred inflows, was \$210 million. The University's net position increased \$49 million in 2021 compared to a \$43 million increase in 2020.

### Statement of Net Position (in millions)



### Statement of Revenue, Expense, and Change in Net Position (in millions)



## USING THE FINANCIAL STATEMENTS

The University's financial report includes the following financial statements with related note disclosures:

- The Statement of Net Position
- The Statement of Revenue, Expense and Change in Net Position
- The Statement of Cash Flow

These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require financial statements be presented on a consolidated basis to focus on the University as a whole.

## STATEMENT OF NET POSITION

The statement of net position presents the University's financial position at the end of each fiscal year and includes all assets, deferred outflows, liabilities and deferred inflows. The difference between total assets and deferred outflows and total liabilities and deferred inflows — net position — is one indicator of current financial condition of the University, while the change in net position is an indication of whether the overall financial condition has improved or worsened during the year. Our net position, excluding Net Pension and Other Post-retirement Employee Benefits (OPEB) Liability, has grown by more than 146% over the last ten years complemented by our 151% growth in assets & deferred outflows.

*A comparison of the University's assets and deferred outflows, liabilities and deferred inflows, and net position as of September 30, 2021 and 2020 is summarized below:*

<b>Condensed Statement of Net Position</b>		
<b>(in thousands)</b>	<b>2021</b>	<b>2020</b>
<b>Assets:</b>		
Current Assets	\$ 132,289	\$ 102,134
Noncurrent Assets:		
Capital Assets, Net	319,539	327,351
Other	141,601	129,316
<b>Total Assets</b>	<b>593,429</b>	<b>558,801</b>
Deferred Outflows	96,648	40,876
<b>Total Assets &amp; Deferred Outflows</b>	<b>690,077</b>	<b>599,677</b>
<b>Liabilities:</b>		
Current Liabilities	50,624	58,202
Noncurrent Liabilities	360,680	308,170
<b>Total Liabilities</b>	<b>411,304</b>	<b>366,372</b>
Deferred Inflows	69,136	72,940
<b>Total Liabilities &amp; Deferred Inflows</b>	<b>480,440</b>	<b>439,312</b>
<b>Net Position:</b>		
Invested in Capital Assets, Net	187,902	186,518
Restricted - Expendable	4,750	4,056
Restricted - Nonexpendable	120	120
Unrestricted	16,865	(30,329)
<b>Total Net Position</b>	<b>209,637</b>	<b>160,365</b>

## CURRENT ASSETS

Current assets consist of cash and cash equivalents, short-term investments, accounts receivable, deposits with trustees, and prepaid expenses used to support the University's normal operations. Total current assets increased \$30 million to \$132 million as of September 30, 2021. Current cash and cash equivalents totaled \$101 million in 2021, an increase of \$33.5 million from the prior year. Cash and cash equivalents typically

fluctuate due to the timing of receivable collections, payment of expenditures and general operating needs. Overall, accounts receivable decreased by \$3.4 million to \$30.5 million in 2021, primarily a result of a \$2.8 million decrease in third party receivables and \$1.6 million decrease in student receivables (net of allowance) offset by a \$1 million increase in grants and contract receivables due to timing of payments. Prepaid expenses, inventory and security deposits remained relatively unchanged collectively.

## **CAPITAL ASSETS**

One of the critical factors in continuing the quality of the University's academic programs is the development and renewal of capital assets. The University continues to implement its long-range plan to modernize its complement of older facilities, along with balanced investment in new construction.

At September 30, 2021, TROY has invested \$320 million in capital assets net of depreciation, representing a \$7 million decrease from 2020 to 2021. This decrease is primarily due to depreciation expense, the demolition of Hamil Hall, Gardner Hall and McCartha Hall and the sale of the Adams Building on the Phenix City campus. The demolitions on TROY's main campus are in preparation for new construction scheduled to begin in FY 2022.

The capital asset additions primarily represent replacement and renovation of academic, administrative, and athletic facilities, as well as significant investments in equipment, including information technology.

Current year capital asset additions were primarily funded with reserves for renewal and replacement, private support and capital grants and contracts.

Construction in progress, which totaled \$2 million at September 30, 2021 includes construction and renovation of facilities for instruction and athletics.

## **DEFERRED OUTFLOW OF RESOURCES**

The statement of net position reports a separate section for deferred outflows, which is in addition to assets. Deferred outflows of resources are a consumption of net position applicable to future reporting periods. TROY reports a deferred outflow of resources related to pension and other postemployment benefits (OPEB), both of which are actuarially determined values.

As of September 30, 2021, the University's deferred outflows of resources totaled \$97 million, representing a \$56 million increase from 2020. The \$97 million in deferred outflow consists of \$34 million related to pensions and \$63 million related to OPEB.

## **CURRENT LIABILITIES**

Current liabilities consist primarily of accounts payable, accrued compensation, unearned income, and the current portion of the bond premium, bonds payable, and compensated absences. The majority of accounts payable and accrued liabilities represent amounts owed for salaries and wages, benefits, supplies and services. Overall, accounts payable decreased \$4.5 million to \$8 million in 2021. Unearned income is primarily composed of tuition and student housing revenues collected in advance for the portion of fall semester which occurs after the fiscal year end. For FY 2021, unearned income decreased \$3 million collectively.

## **NONCURRENT LIABILITIES**

The University takes financial stewardship seriously and works hard to manage financial resources effectively through responsible use of debt. Noncurrent liabilities include the long-term portions of bonds payable, bond premium, net unfunded pension liability, net unfunded OPEB liability, and compensated absences. Total noncurrent liabilities as of September 30, 2021 is \$361 million representing an increase of \$52 million from 2020.

This increase is primarily due to an increase of \$46 million and \$15.6 million for the OPEB liability and net pension liability, respectively. The increase is due to the change in the actuarially determined value of for the OPEB liability and the net pension liability. This increase is offset by the annual debt service payment which reduced bond principal by \$7 million and \$1.2 million of the current portion of bond premium that is the amortization of the net present value savings over the remaining life of the refunded bonds.

*The University's outstanding debt obligations are summarized below:*

<b>Long-Term Debt Obligations</b>		
<b>(in thousands)</b>	<b>2021</b>	<b>2020</b>
<b>Bonds Payable</b>	120,675	127,735

### **DEFERRED INFLOW OF RESOURCES**

A deferred inflow of resources represents the acquisition of net position in future periods. The University's deferred inflows of resources are composed of pension obligations and OPEB obligations, both of which are actuarially determined values. In 2021, deferred inflows of resources decreased by \$4 million to \$69 million. This decrease is a result of a \$5 million decrease related to pension obligations offset by an increase of \$1 million related to OPEB obligations. As of September 30, 2021, deferred inflow of resources related to pensions totaled \$10 million and deferred inflow of resources related to OPEB totaled \$59 million.

### **NET POSITION**

Net position represents the residual interest in the University's assets and deferred outflows after liabilities and deferred inflows are deducted. Net position is divided into three major categories.

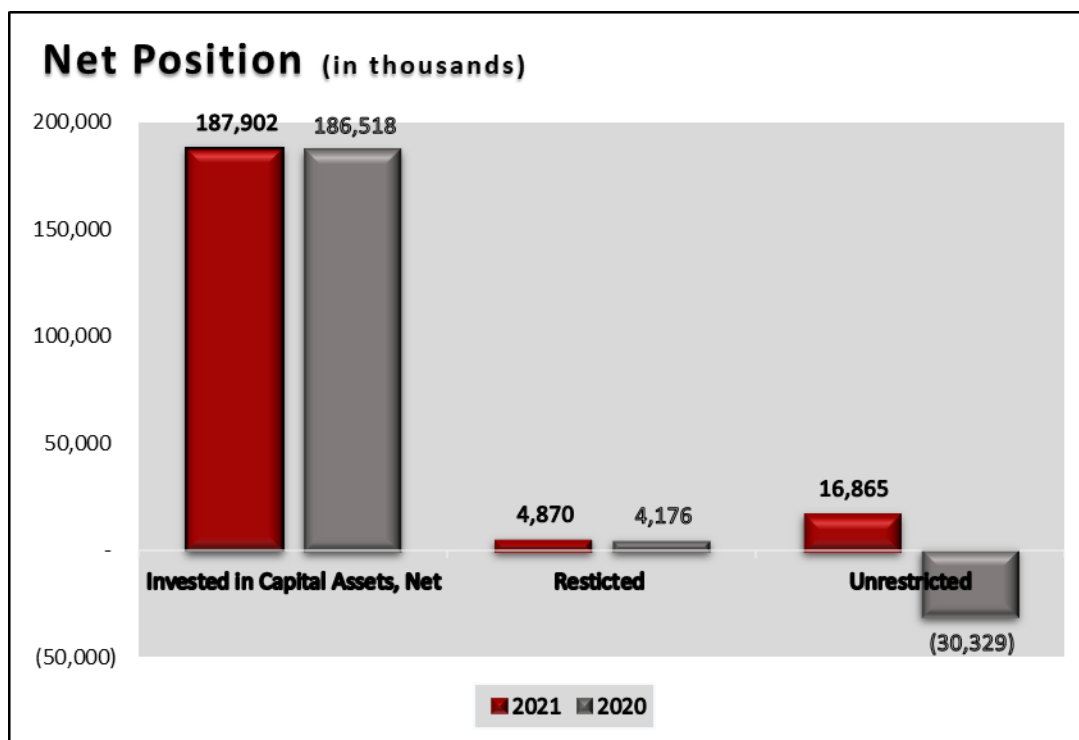
Net Investment in Capital Assets category provides the University's equity in capital assets after

accumulated depreciation and capital asset related debt is deducted.

The second category is Restricted Net Position which is divided into expendable and nonexpendable. The corpus of nonexpendable restricted resources, as it pertains to endowments, is only available for investment purposes. The primary use of restricted income derived from these investments is scholarships and fellowships. Expendable restricted net position is available for use by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

The last category, Unrestricted Net Position, discloses the net position available to the University for any lawful purpose. The University's unrestricted net position is used for ongoing operations, long-term investment, and deferred maintenance needs.

The chart below provides a comparison of net position by category:



\*Note: In fiscal year 2015, the University adopted GASB Statement No. 68, which reduced the October 1, 2014 net position by more than \$131 million.  
In fiscal year 2018, the University adopted GASB Statement No. 75, which reduced the October 1, 2017 net position by more than \$68 million.

## STATEMENT OF REVENUE, EXPENSE AND CHANGE IN NET POSITION

The statement of revenue, expense and change in net position presents the University's results of operations. Changes in net position are a direct result of the activities presented in this statement. In accordance with GASB reporting principles, both revenue and expense are classified as either operating or nonoperating.

One of TROY's strengths is the diverse stream of revenue which supplements tuition and fee revenue,

including private support from foundations and corporations, sponsored programs, state appropriations, investment income, and auxiliary services. TROY's tuition rates remain competitive with peer institutions, demonstrating our commitment to provide high quality higher education at an affordable price. In addition to revenue diversification, TROY continues to make cost containment an ongoing priority. This is necessary as the University continues to face significant financial pressures; particularly in the areas of compensation, employee benefits, energy, technology and ongoing maintenance of facilities and infrastructure. Scholarships continue to be a significant commitment of the University as we focus efforts on the recruitment and retention of students.



A condensed statement of revenue, expense, and change in net position for the two most recent fiscal years is shown in the following table:

Condensed Statement of Revenue, Expense and Change in Net Position				
(in thousands)	2021		2020	
Operating Revenues:				
Student Tuition and Fees, Net	\$	120,299	\$	124,754
Grants and Contracts		24,525		30,453
Auxiliary Sales and Service, Net		15,911		12,716
Other		7,343		7,213
Total Operating Revenues		168,078		175,136
Operating Expenses		256,832		238,071
Operating Loss		(88,754)		(62,935)
Non-operating Revenues (Expenses) and Other Changes in Net Position		138,026	106,337	
Increase in Net Position		49,272	43,402	
Net Position:				
Beginning of Year		160,365	116,963	
Restatements		-	-	
End of Year		209,637	160,365	

## Revenue

Operating revenue represents resources generated by TROY's instruction, research, student, and public service operations. The major components of operating revenue are tuition and fees (net of scholarship allowance), grants and contracts, sales and service of educational departments, and auxiliary services. Total operating revenue for FY 2021 is \$168 million, representing an decrease of \$7 million from FY 2020.

Net auxiliary service revenue increased by \$3 million to \$16 million in FY 2021 due primarily to the room and board refunds in FY 2020 when the campus was closed down and the reopening of dorms in the Fall of 2020. These increases are offset by a reduction in net tuition and fee of \$4.5 million to \$120 million in FY 2021 and a decrease in grants and contracts of \$6 million. Overall the university showed a decline in enrollment due primarily from the uncertainty of COVID-19 despite normal in-class teaching resuming in the Fall of 2020.

State appropriations, investment income, federal/state COVID-19 grants and noncapital gifts and grants are classified as nonoperating revenue due to the fact that they are not generated by ongoing University operations. The classification of these revenue sources as nonoperating typically create an operating loss, because nonoperating revenue such as Pell grants, federal/state COVID-19 grants and State appropriations cover expenses incurred in the operating category. For this reason, nonoperating revenue sources are critical to the University's financial stability and directly impact the quality of its programs.

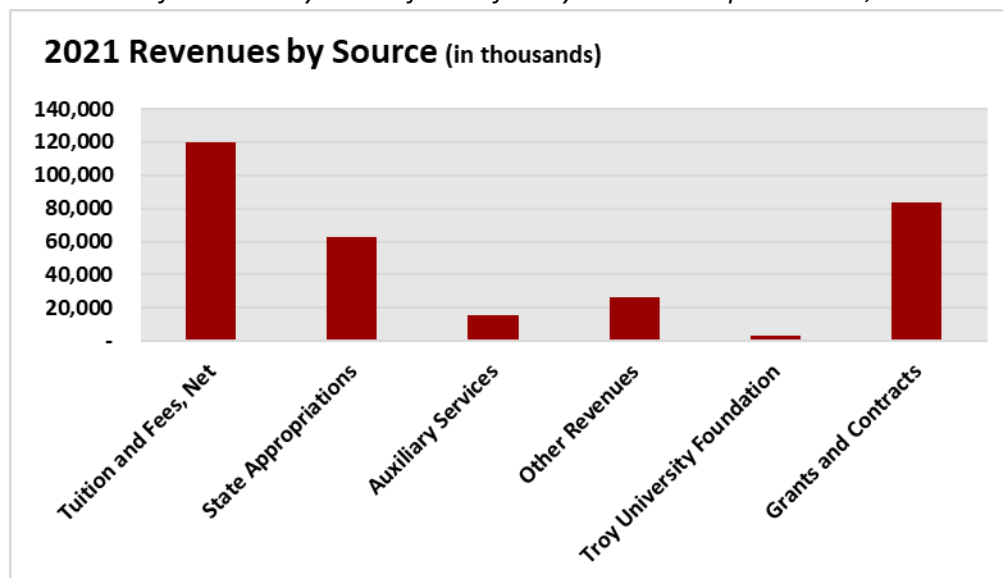
Since March of 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP) were signed into law to aid business and individuals that have been negatively impacted by the COVID-19 pandemic. These acts authorized the Higher Education Emergency Relief Fund (HEERF I, II, III) to support institutions of higher education to serve students and ensure learning continued during the pandemic. During fiscal year 2021, the university received a total of \$13.2 million to provide emergency financial aid grants to students and \$19 million to the university to defray expenses associated with coronavirus. In addition to the HEERF awards, the university also received funding from the Coronavirus Relief Fund (CRF) that was authorized by the CARES Act; which was made available directly to state and local governments. The State of Alabama allocated a total of \$3.4 million to Troy University, of which the university received \$2.2 million and \$1.2 million in fiscal years 2021 and 2020, respectively. Collectively, the university received a total of \$34.4 million in

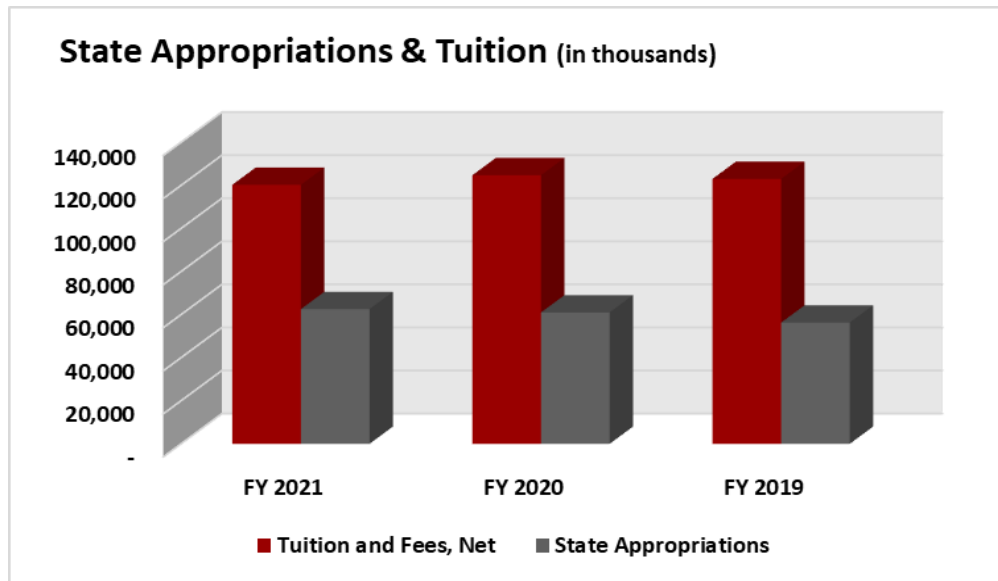
federal grant funding associated with COVID-19 pandemic during FY 2021.

In fiscal year 2021, state appropriations increased \$1.5 million to \$62.5 million, compared to \$61 million in fiscal year 2020. State appropriations include supplemental appropriations received from the Advancement and Technology fund of \$4.6 million and \$4.1 million in fiscal years 2021 and 2020, respectively. TROY is expecting to receive \$61.9 million in state appropriations for FY 2022. Collectively, nonoperating revenues for 2021 increased by \$37 million to \$134 million primarily due to the increase in federal/state COVID-19 grants, state appropriations and in investment income for the year. Federal Pell grants decreased slightly to \$23.8 million.

Tuition and fees (net) and state appropriations are the primary sources of funding for the University's academic programs. As a result, there is a direct relationship between the level of state support and the University's ability to control tuition and fee increases.

*Below is an illustration of revenues by source for the fiscal year ended September 30, 2021:*





### Expenses

The University continues to make cost containment an ongoing priority as the University continues to face significant financial pressures and uncertainty due to the pandemic.

The University's total operating expenses increased \$18.7 million to \$257 million for 2021. Primarily this increase is due to providing \$13.2 million of emergency financial aid grants to

students and an increase of \$7 million in the overall change in the actuarially determined obligations for pension and OPEB for the fiscal year which flow through the benefit expense category across functional expense lines also contributed significantly to the increase of operating expense. This increase in operating expense is offset by an overall decrease in salary and benefits due to implementing hiring limitations as a result of the decrease in tuition and fee revenues.

*Details of operating expenses by functional classifications are as follows:*

Operating Expenses by Functional Classification			
(in thousands)	2021		2020
Instruction	\$	68,705	\$ 70,953
Research		1,110	627
Public Service		19,155	18,855
Academic Support		15,744	15,939
Student Services		33,476	32,880
Institutional Support		36,004	30,499
Operation & Maintenance of Plant		18,451	17,920
Depreciation		14,061	13,151
Scholarships & Fellowships, Net		41,567	28,270
Auxiliary Enterprises		8,560	8,977
<b>Total</b>		<b>256,833</b>	<b>238,071</b>

Operating expense by natural classification demonstrates the University's commitment to recruiting and retaining outstanding faculty and staff as compensation and benefits represent the largest expense category. The increase in compensation and benefits for 2021 is primarily due to the change in the actuarially determined pension and OPEB obligations which run through the benefit expense category. When eliminating the pension and OPEB obligations, the university

had an overall decrease of \$5 million in compensation and benefits. Health care and retirement benefits continue to be the most significant benefits paid by the university. In other expense categories, the majority of the increase is in scholarships and fellowships (net) due to federal student aid provided as emergency aid to students with exceptional financial need due to costs that arose due to the coronavirus.

*Details of operating expenses by natural classifications are as follows:*

<b>Operating Expenses by Natural Classification</b>			
<b>(in thousands)</b>	<b>2021</b>		<b>2020</b>
Compensation and Benefits	\$	134,858	\$ 133,156
Supplies and Services		66,347	63,494
Depreciation		14,061	13,151
Scholarships and Fellowships, Net		41,567	28,270
<b>Total</b>		<b>256,833</b>	<b>238,071</b>

## **STATEMENT OF CASH FLOW**

The statement of cash flow provides additional information about the University's financial results by reporting the major sources and uses of cash.

Cash received from operations primarily consists of student tuition and fees, grants and contracts, and auxiliary services. Significant sources of cash provided by noncapital financing activities, as defined by GASB, include state appropriations and federal student aid. Cash and cash equivalents increased \$27.2 million to \$114 million in 2021.

Net cash used in operating activities increased \$15.8 million primarily due to overall decrease in

cash collected for operating revenues and an increase in cash paid for operating expenses.

Net cash provided by non-capital financing activities increased \$19.5 million primarily due to an increase in federal/state COVID-19 grants offset by a decrease in net transfers to/from the Foundation in 2021.

Net cash used in capital and related financing activities decreased by \$8.5 million from fiscal year 2020 to fiscal year 2021 due a decrease in the purchase of capital assets and construction costs.

Net cash provided by investing activities increased from 2020 to 2021 by \$8.7 million due to current year returns.

A comparative summary of the statements of cash flow for the years ended September 30, 2021 and 2020 is shown below:

<b>Condensed Statement of Cash Flow</b>		
<b>(in thousands)</b>	<b>2021</b>	<b>2020</b>
Cash provided by (used in):		
Net Cash Used in Operating Activities	(71,155)	(55,316)
Net Cash Provided by Non-Capital Financing Activities	117,754	98,284
Net Cash Used in Capital and Related Financing Activities	(20,273)	(28,738)
Net Cash Used in Investing Activities	912	(7,819)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>27,238</b>	<b>6,411</b>
Cash and Cash Equivalents, Beginning of Year	86,915	80,504
<b>Cash and Cash Equivalents, End of Year</b>	<b>114,153</b>	<b>86,915</b>

## ECONOMIC OUTLOOK

The University strives to provide high quality education at an affordable price. A crucial element affecting the University's future continues to be our funding relationship with the State of Alabama. Historically, there has been a direct relationship between the growth or reduction of state support and the University's ability to limit tuition increases. Beginning with academic year 2021-2022, the university transitioned to a one-rate tuition structure which eliminated fees paid to enroll and attend class. While the per credit hour tuition rate increased the overall cost of attendance for students remained the same as a result of the continued support from the State of Alabama. The University is carefully considering the ongoing impact of COVID-19 on FY 2023 state appropriations and future enrollment levels and plans to continue cost containment and avoidance strategies. The University's strong financial position and internal financial controls will provide some protection against the potential funding reductions and adverse economic conditions in the future.

The University continues to execute its long-range plan to enhance technology and modernize its complement of older facilities while adding new facilities for instruction, athletics, and residential

life. This strategy addresses the University's growth needs and the continuing effects of technology related to teaching, recruiting, and service to students. The University is cautiously optimistic in the face of recent increases in State funding for technology, core operations and maintenance, but understands there is no guarantee of a consistent or growing level of funding in the future given the uncertainties surrounding the long-term impact of the COVID-19 pandemic. For this reason, we continue to manage our budget in a conservative manner with an emphasis on cost containment to keep tuition levels competitive and to ensure long-term sustainability.

The University continues to focus efforts on the recruitment and retention of students. Applications, acceptances, and retention are closely monitored to assess the potential impact of significant changes in future enrollment.

The University will continue to maximize the potential for investment returns while maintaining an appropriate level of risk in accordance with our long-term investment policy. Preservation of capital is the primary goal and is accomplished through adequate diversification in accordance with policy.

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# *Basic Financial Statements*

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## ***Statement of Net Position***

### ***September 30, 2021***

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#### **ASSETS**

##### **Current Assets**

Cash and Cash Equivalents	\$ 101,068,969.14
Deposit with Bond Trustee	8.21
Accounts Receivable, Net	30,548,686.72
Inventories	70,373.10
Security Deposits	25,000.00
Loans Receivable	73,936.85
Prepaid Expenses	501,611.65
Total Current Assets	<u>132,288,585.67</u>

##### **Noncurrent Assets**

Cash	13,084,159.84
Endowment Investments	1,146,316.26
Investments	127,101,998.46
Loans Receivable	268,494.69
Capital Assets:	
Land	17,762,280.03
Improvements Other Than Buildings	56,380,674.87
Buildings	375,434,977.56
Construction in Progress	2,053,988.65
Equipment and Furniture	27,843,334.33
Museum Exhibits	1,685,956.45
Library Books	27,107,930.27
Less: Accumulated Depreciation	<u>(188,730,116.25)</u>
Total Capital Assets, Net of Depreciation	<u>319,539,025.91</u>
Total Noncurrent Assets	<u>461,139,995.16</u>
Total Assets	<u>593,428,580.83</u>

##### **Deferred Outflows of Resources**

Related to Defined Benefit Pension Plans	33,515,569.91
Other Postemployment Benefit (OPEB)	63,132,853.00
Total Deferred Outflows of Resources	<u>\$ 96,648,422.91</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.



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**LIABILITIES****Current Liabilities**

Funds Held for Others	\$ 1,183,838.00
Accounts Payable and Accrued Liabilities	7,948,467.83
Unearned Revenue	32,362,637.88
Bond Premium	1,217,617.62
Bonds Payable	7,805,000.00
Compensated Absences	106,448.07
Total Current Liabilities	<u>50,624,009.40</u>

**Noncurrent Liabilities**

Funds Held for Others	124,404.00
Bond Premium	9,632,747.90
Bonds Payable	112,870,000.00
Compensated Absences	2,310,491.59
Net Pension Liability	159,197,000.00
Net OPEB Liability	76,545,312.00
Total Noncurrent Liabilities	<u>360,679,955.49</u>

Total Liabilities	<u>411,303,964.89</u>
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**Deferred Inflows of Resources**

Related to Defined Benefit Pension Plans	10,440,000.00
Other Postemployment Benefit (OPEB)	58,695,779.00
Total Deferred Inflows of Resources	<u>69,135,779.00</u>

**NET POSITION**

Net Investment in Capital Assets	187,901,901.11
Restricted for:	
Nonexpendable:	
Capital Contributions	120,000.00
Expendable:	
Scholarships and Fellowships	583,957.80
Instructional Department Uses	3,495,672.10
Loans	670,409.27
Unrestricted	<u>16,865,319.57</u>
Total Net Position	<u>\$ 209,637,259.85</u>

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***Statement of Revenues, Expenses and Changes in Net Position***  
***For the Year Ended September 30, 2021***

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**OPERATING REVENUES**

Student Tuition and Fees (Net of Scholarship Allowances of \$24,320,953.45)	\$ 120,298,670.22
Federal Grants and Contracts	10,467,153.58
State and Local Grants and Contracts	13,672,515.49
Nongovernmental Grants and Contracts	385,436.01
Sales and Services of Educational Departments	7,343,757.75
Auxiliary Enterprises:	
Sales and Services of Auxiliary (Net of Scholarship Allowances of \$1,837,931.36)	15,911,063.47
Total Operating Revenues	<u>168,078,596.52</u>

**OPERATING EXPENSES**

Instruction	68,704,815.35
Research	1,110,452.70
Public Service	19,154,715.31
Academic Support	15,744,045.68
Student Services	33,476,117.94
Institutional Support	36,004,109.11
Operation and Maintenance	18,451,032.09
Scholarships and Financial Aid	41,566,505.89
Depreciation	14,061,160.44
Auxiliary Enterprises	8,559,635.09
Total Operating Expenses	<u>256,832,589.60</u>
Operating Income (Loss)	<u>(88,753,993.08)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	62,566,626.00
Federal Grants and Contracts	58,425,386.42
Investment Income	19,373,236.49
Interest on Capital Asset Related Debt	(4,237,818.28)
Other Nonoperating Revenues/(Expenses)	(2,063,739.70)
Net Nonoperating Revenues	<u>134,063,690.93</u>
Income Before Other Revenues, Expenses, Gains, or Losses	45,309,697.85
Capital Grants and Contracts	1,017,557.43
Transferred from Troy University Foundation	2,945,062.22
Changes in Net Position	<u>49,272,317.50</u>
Total Net Position - Beginning of Year	160,364,942.35
Total Net Position - End of Year	<u>\$ 209,637,259.85</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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***Statement of Cash Flows***  
***For the Year Ended September 30, 2021***

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and Fees	\$ 121,997,052.79
Federal Grants and Contracts	10,444,253.42
State and Local Grants and Contracts	12,381,070.13
Private Grants and Contracts	429,713.09
Sales and Services of Educational Departments	7,323,880.42
Auxiliary Enterprise Revenue	15,911,063.47
Payments to Employees	(98,585,527.96)
Payments for Benefits	(33,794,680.08)
Payments to Suppliers	(57,236,593.69)
Utilities	(8,458,632.40)
Payments for Scholarships	(41,566,505.89)
Net Cash Provided (Used) by Operating Activities	<u>(71,154,906.70)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	62,566,626.00
Federal Grants	58,365,733.42
Direct Loan Receipts	82,204,897.68
Direct Loan Disbursements	(82,684,389.63)
Deposit Held for Others	(547,180.83)
Transfers from Foundation	3,481,817.49
Transfers to Foundation	(4,694,429.87)
Other Nonoperating Expenditures	(938,942.51)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>117,754,131.75</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Grants and Gifts Received	819,959.83
Purchases of Capital Assets	(8,470,271.19)
Deposits with Trustees	616.73
Principal Paid on Capital Debt	(7,060,000.00)
Interest Paid on Capital Debt	(5,563,418.15)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (20,273,112.78)</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

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**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sales and Maturities of Investments	\$ 109,786,727.56
Interest on Investments	19,373,236.49
Purchase of Investments	(128,248,314.72)
Net Cash Provided (Used) by Investing Activities	911,649.33
Net Increase (Decrease) in Cash and Cash Equivalents	27,237,761.60
Cash and Cash Equivalents - Beginning of Year	86,915,367.38
Cash and Cash Equivalents - End of Year	114,153,128.98

**Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided (Used) by Operating Activities:**

Operating Income (Loss)	(88,753,993.08)
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**Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:**

Depreciation Expense	14,061,160.44
Changes in Assets and Liabilities:	
(Increase)/Decrease in Receivables, Net	3,411,682.21
(Increase)/Decrease in Prepaid Expenses and Other Assets	(80,806.67)
(Increase)/Decrease in Inventory	(19,877.33)
(Increase)/Decrease in Deferred Outflows	(55,772,527.48)
Increase/(Decrease) in Accounts Payable	1,359,681.17
Increase/(Decrease) in Deferred Inflows	(3,804,368.00)
Increase/(Decrease) in Unearned Revenue	(2,983,368.08)
Increase/(Decrease) in Net Pension Liability	15,639,000.00
Increase/(Decrease) in Net OPEB Liability	45,940,091.00
Increase/(Decrease) in Compensated Absences	(151,580.88)
Net Cash Provided (Used) by Operating Activities	\$ (71,154,906.70)

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***Consolidated Statement of Financial Position***  
***Troy University Foundation***  
***September 30, 2021***

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**ASSETS**

Cash and Cash Equivalents	\$ 16,253,140
Certificates of Deposit	9,486,367
Accounts Receivable	151,875
Unconditional Promises to Give	3,894,678
Investments	191,793,148
Notes Receivable	6,300,000
Other Assets	2,144,936
Beneficial Interest in Trusts	819,532
Operating Assets, Net	20,692,528
Total Assets	<u>251,536,204</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable	1,171,864
Gift Annuity Liabilities	138,634
Deferred Revenue	2,834,964
Escrow Funds Held	176,604
Notes Payable	3,104,829
Funds Held for Others	129,132,276
Total Liabilities	<u>136,559,171</u>

**NET ASSETS**

Without Donor Restrictions	36,088,912
With Donor Restrictions	78,888,121
Total Net Assets	<u>114,977,033</u>
Total Liabilities and Net Assets	<u>\$ 251,536,204</u>

See notes to the consolidated financial statements.

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***Consolidated Statement of Activities***  
***Troy University Foundation***  
***For the Year Ended September 30, 2021***

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**SUPPORT AND REVENUE**

Contributions and Grants	\$ 9,519,124
Investment Income	9,570,288
Change in Value of Split Interest Agreement and Perpetual Trusts	49,689
Lease Income	483,333
Contract Income	1,027,745
Other Income	1,868,841
Transfers from Troy University	49,373
<b>TOTAL SUPPORT AND REVENUE</b>	<b>22,568,393</b>

**EXPENSES**

Program Services:	
Athletics and Other Grants	1,364,542
Scholarships and Professorships	1,157,076
University Support	2,706,579
<b>Total Program Services</b>	<b>5,228,197</b>
Supporting Services:	
Management and General	1,534,382
Fundraising	111,127
<b>Total Supporting Services</b>	<b>1,645,509</b>
<b>TOTAL EXPENSES</b>	<b>6,873,706</b>

Change in Net Assets (*)	15,694,687
Net Assets at Beginning of Year	99,282,346
Net Assets at End of Year	114,977,033

Change in Net Assets (*)	
Without Donor Restrictions	1,739,985
With Donor Restrictions	13,954,702
<b>TOTAL CHANGES IN NET ASSETS</b>	<b>\$ 15,694,687</b>

See notes to the consolidated financial statements.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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#### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of Troy University are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of Troy University are described below.

#### **A. Reporting Entity**

Troy University is a component unit of the State of Alabama. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. The Governmental Accounting Standards Board (GASB) in Statement Number 14, “The Financial Reporting Entity,” states that a primary government is financially accountable for a component unit if it appoints a voting majority of the organization’s governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. In this case, the primary government is the State of Alabama and the Governor appoints Troy University’s Board of Trustees. In addition, the University receives a substantial portion of its funding from the State of Alabama (potential to impose a specific financial burden). Based on these criteria, Troy University is considered for financial reporting purposes to be a component unit of the State of Alabama.

#### **B. Component Unit**

The Troy University Foundation (the “Foundation”) is organized exclusively for charitable, scientific and educational purposes for the benefit of the University. Because of the significance of the relationship between the University and the Foundation, the Foundation is considered a component unit of the University. The Foundation’s financial statements are reported separately because of the difference in the reporting model for the Foundation. The Foundation follows the Financial Accounting Standards Board (FASB) rather than the Governmental Accounting Standards Board (GASB). As a result, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial statements for these differences. Disclosures relating to significant transactions and balances between the Foundation and the University are included in these notes. Complete financial statements for the Foundation can be obtained from the Senior Vice-Chancellor for Finance and Business Affairs Office at 241 Adams Administration Building, Troy, Alabama 36082.



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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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#### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements of Troy University have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

It is the policy of the University to first apply restricted resources when an expense is incurred and then apply unrestricted resources when both restricted and unrestricted net position are available.

The Statement of Revenues, Expenses and Changes in Net Position distinguishes between operating and nonoperating revenues. Operating revenues, such as tuition and fees, result from exchange transactions associated with the principal activities of the University. Exchange transactions are those in which each party to the transactions receives or gives up essentially equal values. Nonoperating revenues arise from exchange transactions not associated with the University's principal activities, such as investment income and from all nonexchange transactions, such as state appropriations.

#### **D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position**

##### **1. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include cash on hand, demand deposits and any short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the University to invest in the same type of instruments as allowed by Alabama law for domestic life insurance companies. This includes a wide range of investments, such as direct obligations of the United States of America, obligations issued or guaranteed by certain federal agencies, and bonds of any state, county, city, town, village, municipality, district or other political subdivision of any state or any instrumentality or board thereof or of the United States of America that meet specified criteria.

Investments are reported at fair value based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost.

##### **2. Receivables**

Accounts receivable relate to amounts due from students for tuition and fees, federal grants, third party tuition, and auxiliary enterprise sales such as food service and residence halls. The receivables are shown net of allowance for doubtful accounts.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **3. Inventories**

The inventories are comprised of items held for resale. Inventories are valued using the first in/first out (FIFO) method.

#### **4. Capital Assets**

Capital assets with a unit cost of over \$5,000 and an estimated useful life in excess of one year, are recorded at historical cost or estimated historical cost if purchased or constructed. In addition, works of art and historical treasures and similar assets are recorded at their historical cost. Donated capital assets are recorded at fair market value at the date of donation. Land and Construction in Progress are the only capital assets that are not depreciated. Depreciation is not allocated to a functional expense category. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Prior to 2019, interest costs for certain qualifying assets acquired with the proceeds of tax-exempt borrowings were capitalized and amortized over the life of the related asset. In 2019, the University early adopted GASB Statement Number 89, ***Accounting for Interest Cost Incurred before the end of a Construction Period***. This statement requires interest cost incurred before the end of a construction period to be expensed instead of capitalized.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon the sale or retirement of fixed assets being depreciated using the straight-line method, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operation.

The method of depreciation used by the University is the straight-line basis. Equipment items, improvements involving computers/information technology are being depreciated over four years. Vehicles are depreciated over eight years. Buildings, building improvement that involve landscaping items and museum exhibits are depreciated over forty years. Signs and buildings of non-permanent nature are depreciated over twenty years.

The University evaluates impairment in accordance with GASB Statement Number 42, ***Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries***. For the year ended September 30, 2021, no impairments were recorded.

#### **5. Deferred Outflows of Resources**

Deferred outflow of resources is reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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#### **6. Long-Term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds.

In fiscal year 2019, Troy University implemented GASB Statement Number 88, ***Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements***. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

#### **7. Compensated Absences**

The Board of Trustees determines annual and sick leave policies for the University's employees. The annual and sick leave policies adopted by the University are as follows:

All full-time professional employees earn 12 days of sick leave each year with no limit on accumulation and 12 days of annual leave each year with accumulation limited to 20 days.

Classified employees (non-instructional and other bi-weekly payroll employees) earn 12 days of sick leave each year with no limit on accumulation and 10 days of annual leave each year with accumulation limited to 20 days.

Full-time faculty employees earn 12 days of sick leave each year with no limit on accumulation; however, they do not earn annual leave.

#### **8. Deferred Inflows of Resources**

Deferred inflows of resources are reported in the Statement of Net Position. Deferred inflows of resources are defined as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

#### **9. Unearned Income**

Unearned income is primarily composed of tuition which is prorated to recognize only the amounts earned in each fiscal year.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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#### **10. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

#### **11. Postemployment Benefits Other Than Pensions (OPEB)**

The Alabama Retired Education Employees' Health Care Trust (the "Trust") financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan members contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

#### **12. Net Position**

Net position is required to be classified for accounting and reporting purposes into the following net position categories:

- ◆ **Net Investment in Capital Assets** – Capital assets, including restricted capital assets, reduced by accumulated depreciation and by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. Any significant unspent related debt proceeds or inflows of resources at year-end related to capital assets are not included in this calculation.

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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◆ **Restricted:**

- ✓ **Nonexpendable** – Net position subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.
  - ✓ **Expendable** – Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. These include funds held in federal loan programs.
- ◆ **Unrestricted** – Net position that is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted resources may be designated for specific purposes by action of management or the Board of Trustees.

#### **13. Federal Financial Assistance Programs**

The University participates in various federal programs. Federal programs are audited in accordance with Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (*Uniform Guidance*).

#### **14. Scholarship Allowances and Student Aid**

Student tuition and fees are reported net of scholarship allowances and discounts. The amount for scholarship allowances and discounts is the difference between the stated charge for goods and services provided by the University and the amount that is paid by the student and/or third parties making payments on behalf of the student. The University uses the case-by-case method or to determine the amount of scholarship allowances and discounts.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **Note 2 – Deposits and Investments**

##### **A. Deposits**

The University's deposits at year-end were held by financial institutions in the State of Alabama's Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The remaining portion of the University's deposits was held by financial institutions in other states. The total bank balance is categorized as follows:

Amount of funds held by financial institutions participating in the SAFE Program	\$116,458,665.17
Amount insured by the FDIC or collateralized with securities held by the pledging financial institution's trust department in the University's name	1,029,835.43
Total Bank Balance	<u>\$117,488,500.60</u>

The Statement of Net Position classification "cash and cash equivalents" includes all readily available cash such as petty cash and demand deposits.

##### **B. Investments**

The University's formally adopted investment policy is as follows:

Because of the diverse nature of the funds coming under the management and control of the Board and the corresponding operational needs of the University, the policies and practices hereinafter set forth necessarily separate funds into two investment categories; these are Operational Funds consisting of relatively short-term investments and Funds Held for Investment, consisting of relatively longer term investments.

The Board's objective for Operational Funds is to maximize investment returns consistent with the liquidity needs of the University and to protect the principal.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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The Chancellor and Senior Vice-Chancellor for Financial Affairs and Online Education shall be responsible for the direct investment and administration of Operational Funds; however, such investments shall be limited to the following marketable securities:

- A. Direct obligations of the United States of America or obligations unconditionally guaranteed as to the principal and interest by the United States of America.
- B. Obligations of any agency or instrumentality of the United States of America.
- C. Repurchase agreements secured by the U. S. Government and Agency obligations.
- D. Shares in externally managed money-market funds, specifically approved by the Board.
- E. Certificates of deposit with commercial banks secured as required and approved as depositories by the Board.

The maturity range of Operational Funds shall be consistent with liquidity requirements of the funds in this category. However, funds established under certain debt instruments, may be invested in accordance with the applicable criteria.

#### **Funds Held for Investment**

The Board's objective for Funds Held for Investment is to emphasize income growth (with safety and consistency) and principal growth at a rate at least equal to inflation. The Chancellor and Senior Vice-Chancellor for Financial Affairs and Online Education shall be responsible for the direct investment and administration of long-term assets according to the Funds Held for Investment Policy.

The Funds Held for Investment Policy will allow the University's non-operational funds to be invested to earn a maximum total return that preserves the purchasing power of non-operational funds held for investment while generating an income stream that supports the needs of the University; and to more closely correlate the investment strategy therein with the investment policy of the Troy University Foundation within the constraints of what is allowed by the Code of Alabama. The Funds Held for Investment's real total return will be sought from an investment strategy that provides an opportunity for superior total returns within acceptable levels of risk and volatility. Such investment strategy includes transferring a portion of the Funds Held for Investment to the Troy University Foundation to be invested in accordance with its investment policy as directed by its Stewardship Committee and approved by its Board of Directors.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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In order to facilitate communication and reporting between the University Board of Trustees and the Foundation's Stewardship Committee, a member of the Board of Trustees shall be appointed to the Foundation Board of Directors as a liaison to the Stewardship Committee and shall serve as a voting director on that committee. The liaison reports to the Board of Trustees the status regarding the University's investment results and reports recommended changes to the investment policy to the Board of Trustees. The University's Funds Held for Investment will be designated by the Chancellor and Senior Vice-Chancellor for Financial Affairs and Online Education as benefiting from a longer-term investment strategy and will from time to time transfer Funds Held for Investment from the University's reserve funds to the Foundation for investment and will use the same investment and management criteria as those applicable under the University's Investment Policy.

As of September 30, 2021, the University had the following investments.

Investment Type	Fair Value	1 – 5	6 – 10	11 – 15	16 – 20	No Maturity
Mutual Funds	\$128,248,314.72	\$	\$	\$	\$	\$128,248,314.72
Total	<u>\$128,248,314.72</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$128,248,314.72</u>

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The University does not have a formal investment policy that limits its investments to a rating.

*Custodial Credit Risk* – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The University has no formal policy that limits the amount of securities that can be held by counterparties.

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University did not have a formal investment policy which limited investment in any one issuer to less than 5%.

*Foreign Currency Risk* – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The University sold their Sun Life Corporation and Principal Financial Group stocks in fiscal year 2021. As of September 30, 2021, the University did not have any investments that is exposed to foreign currency risk.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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GASB Statement Number 72 defines fair value and establishes a framework for measuring fair value. There are three acceptable valuation techniques to determine fair value:

- ◆ **Market approach:** Uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.
- ◆ **Cost Approach:** Reflects the amount that would be required to replace the present service capacity of an asset.
- ◆ **Income Approach:** Converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount.

Currently, Troy University uses the market approach to measure fair value on investments.

GASB Statement Number 72 also established a three-tiered fair value hierarchy of inputs to valuation techniques used to measure fair value.

**Level 1 –** Inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, broker markets and principal-to-principal markets.

**Level 2 –** Inputs are quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. This includes corporate and municipal bonds.

**Level 3 –** Inputs are unobservable inputs for an asset or liability. Inputs that are derived from historical prices including commercial real estate.

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
Investments by Fair Value Level	At 09/30/2021	Level 1	Level 2	Level 3
Mutual Funds – Bonds	\$128,248,314.72	\$128,248,314.72	\$	\$
Total	\$128,248,314.72	\$128,248,314.72	\$	\$

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **For the University Trustee that Holds Bond Funds**

At September 30, 2021, the University had \$8.21 in accounts administered by its bond trustee. In accordance with the covenants of the University's Revenue Bonds, the trustee is permitted to invest these funds in direct general obligations of the United States or securities the payment of which is unconditionally guaranteed by the United States.

The balance on deposit with the trustee at September 30, 2021, was invested in the trustee's Treasury Money Market Fund (the "Fund"), an external investment pool. The Fund's investments consist primarily of U. S. Treasury obligations.

The Fund is consistently rated AAA by Standard & Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Fund maintains an average of 60 days or less.

#### **Note 3 – Receivables**

Receivables are reported net of uncollectible amounts and are summarized as follows:

<u>Accounts Receivable:</u>	
Federal	\$ 2,838,832.79
State, Local, and Other	2,856,758.34
Troy University Foundation	733,635.22
Third Party	4,846,171.41
Less: Allowance for Doubtful Accounts	(1,589,821.57)
Total Accounts Receivable	<u>9,685,576.19</u>
<u>Student Receivables:</u>	
Current	39,777,023.83
Less: Allowance for Doubtful Accounts	(18,913,913.30)
Total Student Receivables	<u>20,863,110.53</u>
Total Receivables	<u>\$ 30,548,686.72</u>

## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

#### **Note 4 – Capital Assets**

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Reclassification/ Adjustments	Additions	Deductions	Ending Balance
Land	\$ 17,762,280.03	\$	\$	\$	\$ 17,762,280.03
Improvement Other than Buildings	54,173,805.13	2,119,417.44	695,915.42	(608,463.12)	56,380,674.87
Buildings	378,496,565.57	919,252.96	1,540,304.95	(5,521,145.92)	375,434,977.56
Equipment	26,484,427.08	280,077.27	1,798,995.51	(720,165.53)	27,843,334.33
Museum Exhibits	1,685,956.45				1,685,956.45
Construction in Progress	3,840,944.05	(3,496,047.09)	1,709,091.69		2,053,988.65
Library Collections	26,704,517.63		1,807,134.16	(1,403,721.52)	27,107,930.27
Total	509,148,495.94	(177,299.42)	7,551,441.73	(8,253,496.09)	508,269,142.16
Less: Accumulated Depreciation					
Improvements Other than Buildings	12,442,521.39		1,956,141.63	(95,514.18)	14,303,148.84
Buildings	122,737,063.64		8,698,006.10	(4,916,951.00)	126,518,118.74
Equipment	22,072,842.27	700.00	1,788,467.96	(712,512.20)	23,149,498.03
Museum Exhibits	864,052.69		42,148.91		906,201.60
Library Collections	23,680,474.72		1,576,395.84	(1,403,721.52)	23,853,149.04
Total Accumulated Depreciation	181,796,954.71	700.00	14,061,160.44	(7,128,698.90)	188,730,116.25
Capital Assets, Net	\$327,351,541.23	\$ (177,999.42)	\$ (6,509,718.71)	\$ (1,124,797.19)	\$319,539,025.91

#### **Note 5 – Defined Benefit Pension Plan**

##### **A. Plan Description**

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan (the "Plan"), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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#### **B. Benefits Provided**

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members are eligible for retirement after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

#### **C. Contributions**

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS were required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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Participating employers' contractually required contribution rate for the year ended September 30, 2021, was 12.36% of annual pay for Tier 1 members and 11.22% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the University were \$10,671,569.91 for the year ended September 30, 2021.

#### **D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2021, the University reported a liability of \$159,197,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of September 30, 2019. The University's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2020, the University's proportion was 1.286996%, which was a decrease of 0.011360% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the University recognized pension expense of \$12,839,000.00. At September 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,879,000.00	\$ 2,761,000.00
Changes of assumptions	1,656,000.00	
Net difference between projected and actual earnings on pension plan investments	11,823,000.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,486,000.00	7,679,000.00
Employer contributions subsequent to the measurement date	10,671,569.91	
Total	<u>\$33,515,569.91</u>	<u>\$10,440,000.00</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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The \$10,671,569.91 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending:	
September 30, 2022	\$ 494,000.00
2023	\$4,585,000.00
2024	\$4,709,000.00
2025	\$2,616,000.00
2026	\$ 0.00
Thereafter	\$ 0.00

#### **E. Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.70%
Projected Salary Increases	3.25%-5.00%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period October 1, 2010 through September 30, 2015.

Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	<u>100.00%</u>	
(*) Includes assumed rate of inflation of 2.50%.		

#### **F. Discount Rate**

The discount rate used to measure the total pension liability was 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **G. Sensitivity of the University's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate**

The following table presents the University's proportionate share of the collective net pension liability calculated using the discount rate of 7.70%, as well as what the University's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
University's proportionate share of collective net pension liability	\$214,402,000	\$159,157,000	\$114,179,000

#### **H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2020. The auditor's report dated April 23, 2021, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2020, along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

#### **Note 6 – Other Postemployment Benefits (OPEB)**

##### **A. Plan Description**

The Alabama Retired Education Employees' Health Care Trust (the "Trust") is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (PEEHIB) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through PEEHIP. In accordance with GASB, the Trust is considered a component unit of the State of Alabama (the "State") and is included in the State's Annual Comprehensive Financial Report.



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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975*, Section 16-25A-4, (Act Number 83-455, Acts of Alabama) to provide a uniform plan of health insurance for active and retired employees of state and local educational institutions which provide instruction at any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the PEEHIB. The PEEHIB is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

#### **B. Benefits Provided**

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services. Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general aesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana Insurance Company replaced United Healthcare as the administrator of the PEEHIP Group Medicare Advantage (PPO) Plan. The plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

#### *C. Contributions*

The *Code of Alabama 1975*, Section 16-25A-8, and the *Code of Alabama 1975*, Section 16-25A-8.1, provide the PEEHIB with the authority to set the contribution requirements for plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the PEEHIB is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the PEEHIB for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the PEEHIB for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the PEEHIB. This reduction in the employer contribution ceases upon notification to the PEEHIB of the attainment of Medicare coverage.

#### **D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At September 30, 2021, the University reported a liability of \$76,545,312.00 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of September 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019. The University's proportion of the collective net OPEB liability was based on a projection of the University's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2020, the University's proportion was 1.179460%, which was an increase of 0.368246% from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, the University recognized OPEB expense of \$1,889,501.00 with no special funding situations. At September 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,941,135.00	\$ 27,519,873.00
Changes of assumptions	26,736,679.00	14,213,765.00
Net difference between projected and actual earnings on OPEB plan investments		3,228.00
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,406,340.00	16,958,913.00
Employer contributions subsequent to the measurement date	2,048,699.00	
Total	<u>\$63,132,853.00</u>	<u>\$58,695,779.00</u>

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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The \$2,048,699.00 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB will be recognized in OPEB expense as follows:

Year Ending:	
September 30, 2022	\$(2,059,498.00)
2023	\$(1,942,896.00)
2024	\$(3,223,059.00)
2025	\$(2,587,873.00)
2026	\$ 7,183,918.00
Thereafter	\$ 5,017,783.00

#### **E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases (1)	3.25% - 5.00%
Long-Term Investment Rate of Return (2)	7.25%
Municipal Bond Index Rate at the Measurement Date	2.25%
Municipal Bond Index Rate at the Prior Measurement Date	3.00%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2040
Single Equivalent Interest Rate at the Measurement Date	3.05%
Single Equivalent Interest Rate at the Prior Measurement Date	5.50%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.75%
Medicare Eligible	(**)
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75% in 2027
Medicare Eligible	4.75% in 2024
(1) Includes 3.00% wage inflation.	
(2) Compounded annually, net of investment expense, and includes inflation.	
(**) Initial Medicare claims are set based on scheduled increases through plan year 2022.	

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the actuarial valuation as of September 30, 2019.

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers' Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U. S. Mid Stocks	8.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	

(\*) Geometric mean, includes 2.5% inflation

#### **F. Discount Rate**

The discount rate, also known as the Single Equivalent Interest Rate (SEIR), as described by GASB Statement Number 74, used to measure the total OPEB liability at September 30, 2020, was 3.05%. The discount rate used to measure the total OPEB liability at the prior measurement date was 5.50%. Premiums paid to the Public Education Employees' Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 14.802% of the employer contributions were used to assist in funding retiree benefit payments in 2020, and it is assumed that the amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. Therefore, the projected future benefit payments for all current plan members were projected through 2118. The long-term rate of return is used until the assets are expected to be depleted in 2040, after which the municipal bond rate is used.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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**G. Sensitivity of the University's Proportionate Share of the Collective Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following table presents the University's proportionate share of the collective net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75% Decreasing to 3.75% for Pre-Medicare, and Known Decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75% Decreasing to 4.75% for Pre-Medicare, and Known Decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75% Decreasing to 5.75% for Pre-Medicare and Known Decreasing to 5.75% for Medicare Eligible)
University's proportionate share of collective net OPEB liability	\$60,509,318.00	\$76,545,312.00	\$97,418,727.00

**H. Sensitivity of the University's Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate**

The following table presents the University's proportionate share of the collective net OPEB liability of the Trust calculated using the discount rate of 3.05%, as well as what the collective net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (2.05%)	Current Rate (3.05%)	1% Increase (4.05%)
University's proportionate share of collective net OPEB liability	\$93,886,797.00	\$76,545,312.00	\$62,772,417.00

**I. OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is located in the Trust's financial statements for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement Number 74 Report for PEEHIP prepared as of September 30, 2020. Additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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## ***Notes to the Financial Statements***

### ***For the Year Ended September 30, 2021***

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#### **Note 7 – Additional Benefit Plans**

##### **A. Supplemental Retirement**

Regular full-time employees who have completed one year of continuous service are eligible for an optional supplemental retirement program, the Teachers Insurance and Annuity Association – University Retirement Equities Fund (TIAA-CREF) or Lincoln National. Retirement payments under the plan are obligations of the provider and not the University. Employees of the University who were hired before September 1, 1991, and earn less than \$60,535.00 annually may contribute five or more percent of their salary annually, not to exceed Internal Revenue Service limits, and receive a 5% match by the University. Employees hired on September 1, 1991, or later would be provided matching contributions of up to three percent on a maximum of \$18,000.00 of annual salary. The maximum dollar benefit would be \$540.00 per year. New employees can enroll after one year of employment without regard to age. Grandfathered employees may also choose this plan or remain with the previously described plan.

##### **B. Self-Insured Health Insurance Program**

The University self-insures its health insurance program for all eligible current employees. Underwriters assist in the calculation of employee premium rates based on claim history and market trends. The University has a Stop Loss policy to cover costs per participant after meeting a \$200,000.00 individual deductible. Claims are processed and paid by an outside servicer. At September 30, 2021, there was no liability for self-insured health insurance reflected in the University's financial statements.

##### **C. Life Insurance**

The University provides life insurance for regular full-time employees (included AD&D coverage). Employees hired before September 1, 1991 were given a "buy-out" option and may have opted to forfeit their University policy. The University also provides life insurance coverage for some University retirees. The University pays up to \$0.55 per \$1,000 of the premium for retirees. Premiums that exceed this amount are paid by retirees. The University secured a rate of \$0.45 in 2017 that is effective through July 2023. The amounts remitted in fiscal year 2021 was \$469,021.00.



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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **Note 8 – Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities represent amounts due at September 30, 2021, for goods and services received prior to the end of the fiscal year.

Salaries and Wages	\$1,550,252.01
Benefits	1,488,378.05
Supplies	1,275,872.66
Sales and Other Taxes	1,374,562.66
Accrued Interest Payable	2,259,402.45
Total	<u>\$7,948,467.83</u>

#### **Note 9 – Long-Term Liabilities**

Long-term liabilities activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Bonds Payable:</b>					
Revenue Bonds	\$114,865,000.00	\$	\$5,150,000.00	\$109,715,000.00	\$5,830,000.00
Revenue Bonds for Direct Placement	12,870,000.00		1,910,000.00	10,960,000.00	1,975,000.00
Bond Premium/(Discount)	12,067,983.14		1,217,617.62	10,850,365.52	1,217,617.62
Total Bonds Payable	<u>139,802,983.14</u>		<u>8,277,617.62</u>	<u>131,525,365.52</u>	<u>9,022,617.62</u>
<b>Other Liabilities:</b>					
Compensated Absences	2,568,520.54		151,580.88	2,416,939.66	106,448.07
Total Long-Term Liabilities	<u>\$142,371,503.68</u>	<u>\$</u>	<u>\$8,429,198.50</u>	<u>\$133,942,305.18</u>	<u>\$9,129,065.69</u>

The Revenue Bonds were issued in 2010, 2014, 2015, 2018 and 2019 by the Board of Trustees to provide funds for construction and renovation of various capital projects.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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A trustee holds sinking fund deposits, including earnings on investments of these deposits. Revenue from student tuition and fees sufficient to pay annual debt service are pledged to secure the bonds. Principal and interest maturity requirements on bond debt are as follows:

Fiscal Year	Revenue Bonds		Revenue Bonds for Direct Placement		Total
	Principal	Interest	Principal	Interest	
2021-2022	\$ 5,830,000.00	\$ 4,969,743.76	\$ 1,975,000.00	\$ 306,137.50	\$ 13,080,881.26
2022-2023	6,665,000.00	4,698,518.76	1,545,000.00	250,577.50	13,159,096.26
2023-2024	7,225,000.00	4,373,768.76	1,600,000.00	201,392.00	13,400,160.76
2024-2025	8,235,000.00	3,987,268.76	1,095,000.00	159,833.50	13,477,102.26
2025-2026	8,955,000.00	3,557,518.76	1,130,000.00	126,236.00	13,768,754.76
2026-2027	9,475,000.00	3,132,250.01	1,165,000.00	91,581.50	13,863,831.51
2027-2028	10,020,000.00	2,680,356.26	1,205,000.00	55,794.50	13,961,150.76
2028-2029	8,615,000.00	2,214,481.26	1,245,000.00	18,799.50	12,093,280.76
2029-2030	8,210,000.00	1,803,515.63			10,013,515.63
2030-2031	3,890,000.00	1,519,800.00			5,409,800.00
2031-2032	4,070,000.00	1,337,500.00			5,407,500.00
2032-2033	4,250,000.00	1,158,325.00			5,408,325.00
2033-2034	4,440,000.00	970,500.00			5,410,500.00
2034-2035	4,650,000.00	759,925.00			5,409,925.00
2035-2036	4,855,000.00	555,075.00			5,410,075.00
2036-2037	5,050,000.00	360,987.50			5,410,987.50
2037-2038	5,280,000.00	132,000.00			5,412,000.00
Total	\$109,715,000.00	\$38,211,534.46	\$10,960,000.00	\$1,210,352.00	\$160,096,886.46

#### **Direct Placements**

Revenue Series 2010 and Series 2014 bonds are revenue bonds for direct placement. The resolutions pursuant to which the Series 2010-A, Series 2010-B, 2014-A, and 2014-B Bonds were issued provide that failure of the University to perform any of its agreements or covenants contained therein is an event of default. In the resolutions, the University has covenanted to (i) make timely payment of debt service on the bonds, (ii) fix, levy and collect General Student Fees and Special Student Fees sufficient to make timely payments of debt service on the bonds, (iii) maintain proper books and records and to cause such books and records to be audited annually, (iv) not issue any additional indebtedness under certain prior resolutions that would have a lien on the General Student Fees and Special Student Fees prior to the lien for the benefit of the bonds, and (v) to take such actions as are necessary to maintain the exemption of interest on the bonds for purposes of federal income taxation. Additionally, for Series 2010-A, the University covenants to (vi) maintain ratings on its rated bonds of not less than A- by Standard & Poor's and A3 by Moody's Investors Service for so long as the Series 2010-A Bond is outstanding.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **Pledged Revenues**

Troy University has pledged General Student Fees to repay revenue bond series 2010, 2014, 2015, 2018 and 2019. The bonds were issued for the purpose of providing funds to pay the costs of current refunding of outstanding Revenue Bonds, to pay the costs of developing, constructing and equipping improvements and renovation of capital projects on campus and to pay the costs incurred in connection with the issuance of these bonds.

Details of each bond and its related pledged revenue is as follows:

Series	Issue Date	Purpose of Issuance	Maturity Date	Total Bond Balance Remaining	2021 Principal and Interest Paid	Future Pledged Revenue	2021 Pledged Revenue Received
2019 Series	12/17/2019	To refund 2009A, 2009B and 2010B Series Bonds	11/01/2029	\$45,075,000	\$6,863,250.00	\$55,880,975	\$119,087,761
2018 Series	03/01/2018	Trojan Fitness Center	11/01/2037	\$25,000,000	\$1,152,175.00	\$40,486,213	\$119,087,761
2015 Series	06/30/2015	To refund 2006 and 2007 Series. North End Zone Buildout	11/01/2036	\$39,640,000	\$2,340,918.76	\$51,559,347	\$119,087,761
2014B Series	05/29/2014	Rushing Hall	11/01/2028	\$ 8,915,000	\$1,243,729.00	\$10,037,761	\$119,087,761
2010A Series	12/14/2010	To Refund 1998, 2001, 2003 and 2004 Series Bond Issuances	09/30/2024	\$ 2,045,000	\$1,034,168.00	\$ 2,132,592	\$119,087,761

#### **Contractual Contingency**

On March 10, 2020, the University entered into a management agreement with Sodexo Management, Inc. In accordance with this agreement Sodexo will manage and operate the food service for students, faculty, staff, employees, visitors and invited guests for a period of up to ten years commencing on October 1, 2019. Included in the management agreement renewal is the previous investment by Sodexo on May 19, 2017 of \$2,500,000.00 to finance the renovation of University facilities as needed. This contingency is reflected in the financial statements of the University. The unamortized amount as of September 30, 2021 is \$1,580,780.80.

On October 1, 2019, Sodexo provided an additional investment of \$1,900,000.00 to finance the renovation of the University facilities as needed. This contingency is reflected in the financial statements of the University. The unamortized amount as of September 30, 2021 is \$1,710,000.00.

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## *Notes to the Financial Statements*

### *For the Year Ended September 30, 2021*

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#### **Note 10 – Risk Management**

The University is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has property insurance (building and contents) and loss of income coverage through the State Insurance Fund (SIF), part of the State of Alabama, Department of Finance; Division of Risk Management which operates a common risk management and insurance program for state owned properties. The University pays an annual premium based on the amount of coverage requested based property value, inflation forecast, and period SIF property audits. The University purchases commercial insurance for the following coverage's: automobile, general liability, professional legal liability, international travel, defense base act, property manager's errors and omissions, and crime policy. In addition, the University has fidelity bonds on the University's Chancellor, Senior Vice-Chancellor for Financial Affairs and Online Education, and Vice-Chancellor/Controller, as well as other University personnel responsible for funds.

Claims which occur as a result of employee job-related injuries may be brought before the State of Alabama Board of Adjustment. The Board of Adjustment serves as an arbitrator and its decision is binding. If the Board of Adjustment determines that a claim is valid, it decides the proper amount of compensation (subject to statutory limitations) and the funds are paid by the University.

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## *Required Supplementary Information*

***Schedule of the University's Proportionate Share of the Collective Net Pension Liability***  
***For the Year Ended September 30, 2021***  
***(Dollar amounts in thousands)***

	2021	2020	2019	2018	2017	2016	2015
University's proportion of the collective net pension liability	1.286996%	1.298356%	1.365068%	1.330806%	1.435032%	1.454966%	1.446085%
University's proportionate share of the collective net pension liability	\$ 159,197	\$ 143,558	\$ 135,723	\$ 130,798	\$ 155,356	\$ 152,272	\$ 131,371
University's covered payroll during the measurement period (*)	\$ 92,381	\$ 93,526	\$ 92,878	\$ 89,252	\$ 91,689	\$ 81,287	\$ 80,539
University's proportionate share of the collective net pension liability as a percentage of its covered payroll	172.33%	153.50%	146.13%	146.55%	169.44%	187.33%	163.11%
Plan fiduciary net position as a percentage of the total collective pension liability	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(\*) Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2021, the measurement period for covered payroll is October 1, 2019 through September 30, 2020.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the University's Contributions - Pension***  
***For the Year Ended September 30, 2021***  
***(Dollar amounts in thousands)***

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 10,672	\$ 11,094	\$ 11,250	\$ 10,875	\$ 10,231	\$ 10,771	\$ 10,310
Contributions in relation to the contractually required contribution	\$ 10,672	\$ 11,094	\$ 11,250	\$ 10,875	\$ 10,231	\$ 10,771	\$ 10,310
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
University's covered payroll	\$ 90,828	\$ 92,381	\$ 93,526	\$ 92,878	\$ 89,252	\$ 91,689	\$ 81,287
Contributions as a percentage of covered payroll	11.75%	12.01%	12.03%	11.71%	11.46%	11.75%	12.68%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Per GASB 82, which amends GASB 68, covered payroll is defined as the payroll on which contributions to a pension plan are based, also known as pensionable payroll. For fiscal year 2021, the covered payroll is for the reporting fiscal year October 1, 2020 through September 30, 2021.

The amount of contractually required contributions is equal to the amount that would be recognized as additions from the University's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the University's fiscal year. For participants in TRS, this includes amounts paid for Accrued Liability, Normal Cost, Term Life Insurance, Pre-Retirement Death Benefit and Administrative Expenses.

***Schedule of the University's Proportionate Share of the Collective Net Other Postemployment Benefits (OPEB) Liability***  
***Alabama Retired Education Employees' Health Care Trust***  
***For the Year Ended September 30, 2021***  
***(Dollar amounts in thousands)***

	2021	2020	2019	2018
University's proportion of the collective net OPEB liability	1.179460%	0.811214%	0.979977%	1.148184%
University's proportionate share of the collective net OPEB liability (asset)	\$ 76,545	\$ 30,605	\$ 80,542	\$ 85,281
University's covered-employee payroll during the measurement period (*)	\$ 92,381	\$ 93,526	\$ 92,878	\$ 89,252
University's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	82.86%	32.72%	86.72%	95.55%
Plan fiduciary net position as a percentage of the total collective OPEB liability	19.80%	28.14%	14.81%	15.37%

(\*) Per GASB 75, covered-employee payroll is defined as the payroll of employees that are provided with OPEB through the OPEB plan. The covered-employee payroll for this RSI Schedule (GASB 75 paragraph 97) is for the reporting period (i.e. the measurement period), which for the September 30, 2021 year is October 1, 2019 through September 30, 2020.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



***Schedule of the University's Contributions - Other Postemployment Benefits (OPEB)***  
***Alabama Retired Education Employees' Health Care Trust***  
***For the Year Ended September 30, 2021***  
***(Dollar amounts in thousands)***

	2021	2020	2019	2018
Contractually required contribution	\$ 2,049	\$ 2,336	\$ 2,106	\$ 2,406
Contributions in relation to the contractually required contribution	\$ 2,049	\$ 2,336	\$ 2,106	\$ 2,406
Contribution deficiency (excess)	\$	\$	\$	\$
University's covered-employee payroll	\$ 90,828	\$ 92,381	\$ 93,526	\$ 92,878
Contributions as a percentage of covered-employee payroll	2.26%	2.53%	2.25%	2.59%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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***Notes to Required Supplementary Information for  
Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2021***

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**Changes in Actuarial Assumptions**

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience.

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

**Recent Plan Changes**

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

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***Notes to Required Supplementary Information for  
Other Postemployment Benefits (OPEB)  
For the Year Ended September 30, 2021***

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**Method and Assumptions Used in Calculations of Actuarially Determined Contributions**

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ended September 30, 2020, is determined based on the actuarial valuation as of September 30, 2017. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	24 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	7.00%
Medicare Eligible (*)	5.00%
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.75%
Medicare Eligible	4.75%
Year of Ultimate Trend Rate	2026 for Pre-Medicare Eligible 2024 for Medicare Eligible
Investment Rate of Return	5.00%, including inflation

(\*) Initial Medicare claims are set based on scheduled increases through plan year 2019.

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## *Supplementary Information*

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2021***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
<b><u>U. S. Department of Education</u></b>				
<b><u>Student Financial Assistance Cluster</u></b>				
<b><u>Direct Programs</u></b>				
Federal Supplemental Educational Opportunity Grants	84.007			\$ 739,587.00
Federal Work-Study Program	84.033			1,305,450.12
Federal Pell Grant Program	84.063			23,830,530.00
Federal Direct Loan Program	84.268			82,594,545.00
Federal Perkins Loan Program-Federal Capital Contributions	84.038			253,112.54
<b><u>U. S. Department of Health and Human Services</u></b>				
<b><u>Direct Program</u></b>				
Nurse Faculty Loan Program (NFLP)	93.264			111,846.99
Total Student Financial Assistance Cluster				<u>108,835,071.65</u>
<b><u>TRIO Cluster</u></b>				
<b><u>Direct Programs</u></b>				
TRIO - Student Support Services	84.042			634,046.11
TRIO - Upward Bound	84.047			311,049.39
TRIO - McNair Post-Baccalaureate Achievement	84.217			214,600.40
Total TRIO Cluster				<u>1,159,695.90</u>
<b><u>Special Education Cluster</u></b>				
<b><u>Passed Through Alabama State Department of Education</u></b>				
Special Education Grants to States	84.027	U210035		127,652.68
<b><u>WIOA Cluster</u></b>				
<b><u>U. S. Department of Labor</u></b>				
<b><u>Passed Through Alabama Department of Commerce</u></b>				
WIOA Adult Program	17.258	N.A.		379,323.76
WIOA Dislocated Worker Formula Grants	17.278	N.A.		34,582.05
Total WIOA Cluster				<u>413,905.81</u>
<b><u>Research and Development Cluster</u></b>				
<b><u>U. S. Department of Agriculture</u></b>				
<b><u>Passed Through University of Georgia</u></b>				
Sustainable Agriculture Research and Education	10.215	SUB00002298	59,597.60	91,713.46
<b><u>Passed Through National Forests in Alabama</u></b>				
Partnership Agreements	10.699	19-PA-11080100-276		7,320.22
<b><u>Passed Through Southern Research Station</u></b>				
Research Joint Venture and Cost Reimbursable Agreements	10.707	20-JV-11330170-072		\$ 206.58

***Schedule of Expenditures of Federal Awards***  
***For the Year Ended September 30, 2021***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
<b><u>U. S. Department of Commerce</u></b>				
<b><u>Direct Programs</u></b>				
Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology	11.451		\$ 20,248.35	\$ 20,248.35
Measurement and Engineering Research and Standards	11.609		163,492.28	1,100,119.54
<b><u>Passed Through Santa Rosa County, Florida</u></b>				
Office for Coastal Management	11.473	N.A.		10,406.36
<b><u>U. S. Department of the Interior</u></b>				
<b><u>Passed Through Jacksonville State University</u></b>				
Fish and Wildlife Management Assistance	15.608	24623-0001		6,383.51
<b><u>Passed Through Alabama Department of Conservation and Natural Resources</u></b>				
Cooperative Endangered Species Conservation Fund	15.615	N.A.		25,150.00
<b><u>National Science Foundation</u></b>				
<b><u>Direct Program</u></b>				
Biological Sciences	47.074			36,701.65
<b><u>Passed Through Auburn University</u></b>				
Education and Human Resources	47.076	17-COSAM-200591-TU		3,750.00
Education and Human Resources	47.076	17-COSAM-200834-TU		56,139.14
Total Education and Human Resources				<u>59,889.14</u>
<b><u>U. S. Environmental Protection Agency</u></b>				
<b><u>Passed Through Auburn University</u></b>				
Regional Wetland Program Development Grants	66.461	19-BS-209934-TU		8,145.13
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Programs</u></b>				
Higher Education Institutional Aid	84.031			144,005.02
Child Care Access Means Parents in School	84.335			323,160.13
Total Research and Development Cluster				<u>1,833,449.09</u>
<b><u>Other Federal Awards</u></b>				
<b><u>U. S. Department of Education</u></b>				
<b><u>Direct Programs</u></b>				
COVID-19 HEERF Student Aid Portion	84.425E			13,246,724.00
COVID-19 HEERF Institutional Aid Portion	84.425F			19,107,618.23
Total COVID-19 Higher Education Emergency Relief Fund (HEERF)				<u>\$ 32,354,342.23</u>

***Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2021***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
Rehabilitation Long-Term Training	84.129			\$ 410,488.58
<b><u>Passed Through Alabama Department of Rehabilitation Services</u></b>				
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	AE1087VC07		2,865,099.42
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	C10870043		16,366.74
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	C00870043		16,967.46
Total Rehabilitation Services-Vocational Rehabilitation Grants to States				<u>2,898,433.62</u>
Special Education-Grants for Infants and Families	84.181	AE1087MS44		32,358.90
<b><u>Passed Through Alabama State Department of Education</u></b>				
Twenty-First Century Community Learning Centers	84.287	C200579		143,373.87
Supporting Effective Instruction State Grants	84.367	U210501		43,403.06
<b><u>Passed Through Alabama Department of Early Childhood Education</u></b>				
Preschool Development Grants	84.419	N.A.		5,000.00
<b><u>U. S. Department of Agriculture</u></b>				
<b><u>Passed Through Alabama State Department of Education</u></b>				
Child and Adult Care Food Program	10.558	N.A.		32,298.62
<b><u>Passed Through Natural Resources Conservation Service</u></b>				
Environmental Quality Incentives Program	10.912	NR1833A7XXXXC002		40,277.50
<b><u>U. S. Department of State</u></b>				
<b><u>Passed Through World Learning</u></b>				
Academic Exchange Programs - Undergraduate Programs	19.009	N.A.		45,733.25
<b><u>Passed Through Eurasia Foundation</u></b>				
AEECA/ESF PD Programs	19.900	N.A.		18,240.50
<b><u>U. S. Department of the Treasury</u></b>				
<b><u>Passed Through State of Alabama Department of Finance</u></b>				
COVID-19 Coronavirus Relief Fund	21.019	N.A.		2,240,514.19
<b><u>National Endowment for the Humanities</u></b>				
<b><u>Passed Through Alabama Humanities Foundation</u></b>				
Promotion of the Humanities - Federal/State Partnership	45.129	0321-2678MJ		4,933.33
Promotion of the Humanities - Federal/State Partnership	45.129	0919-2517MJ		4,000.00
Promotion of the Humanities - Federal/State Partnership	45.129	0619-2501MJ		1,000.00
Promotion of the Humanities - Federal/State Partnership	45.129	0219-2481MJ		1,062.01
Total Promotion of the Humanities - Federal/State Partnership				<u>\$ 10,995.34</u>



***Schedule of Expenditures of Federal Awards***  
***For the Year Ended September 30, 2021***

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Pass-Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
<b><u>The Institute of Museum and Library Services</u></b>				
<b><u>Direct Program</u></b>				
Museum Grants for African American History and Culture	45.309		\$	29,038.57
<b><u>National Science Foundation</u></b>				
<b><u>Direct Program</u></b>				
Mathematical and Physical Sciences	47.049			4,536.27
<b><u>U. S. Small Business Administration</u></b>				
<b><u>Direct Program</u></b>				
Shuttered Venue Operators Grant Program	59.075			254,847.32
<b><u>Passed Through the University of Alabama</u></b>				
Small Business Development Centers	59.037	A21-0058-S003		63,193.19
<b><u>U. S. Department of Health and Human Services</u></b>				
<b><u>Passed Through Alabama Department of Public Health</u></b>				
Substance Abuse and Mental Health Services-Projects of Regional and National Significance	93.243	C10114067		10,000.00
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	C10114222		7,393.44
<b><u>Passed Through Alabama Department of Early Childhood Education</u></b>				
Every Student Succeeds Act/Preschool Development Grants	93.434	N.A.		371,914.10
<b><u>Passed Through Alabama Department of Human Resources</u></b>				
Children's Justice Grants to States	93.643	4132		124,962.03
<b><u>Corporation for National and Community Service</u></b>				
<b><u>Direct Program</u></b>				
Retired and Senior Volunteer Program	94.002			163,189.88
<b><u>U. S. Department of Homeland Security</u></b>				
<b><u>Passed Through Alabama Emergency Management Agency</u></b>				
Disaster Grants - Public Assistance	97.036	000-UDLZU-00		19,262.75
Total Expenditures of Federal Awards			\$	151,693,572.34

N.A. = Not Available/Not Applicable

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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## ***Notes to the Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2021***

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### **Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Troy University, under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***. Because the Schedule presents only a selected portion of the operations of Troy University, it is not intended to and does not present the financial position, changes in net position, or cash flows of Troy University.

### **Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **Note 3 – Indirect Cost Rate**

Troy University has elected not to use the 10-percent de minimis indirect cost rate allowed under the *Uniform Guidance*.

### **Note 4 – Loans Outstanding or Disbursed**

#### **Federal Perkins Loan Program (84.038)**

The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to the program are included in the University’s basic financial statements. The University did not disburse any funds under this program during the current award year. The balance of the loans outstanding at September 30, 2021, was \$253,112.54.

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## *Additional Information*

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***Board Members and Officials***  
***October 1, 2020 through September 30, 2021***

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<b>Board Members</b>	<b>Term Expires</b>
Hon. Kay Ivey, President	Ex-Officio
Hon. C. Gibson Vance, President Pro Tempore	2023
Hon. Edward Crowell, Vice-President Pro Tempore	2021
Hon. Karen E. Carter	2031
Hon. Gerald O. Dial	2027
Hon. Roy H. Drinkard	2023
Hon. John D. Harrison	2031
Hon. Earl V. Johnson	2027
Hon. Forrest S. Latta	2027
Hon. C. Charles Nailen, Jr.	2021
Hon. Allen E. Owen III	2023
Hon. Cam Ward	2031

**Officials**

Dr. Jack Hawkins, Jr., Chancellor

Dr. James Bookout, Sr., Vice-Chancellor for  
Financial Affairs and Online Education

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# ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

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## **Independent Auditor's Report**

Troy University Board of Trustees  
Dr. Jack Hawkins, Jr., Chancellor – Troy University  
Troy, Alabama 36082

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States, the financial statements of Troy University, a component unit of the State of Alabama, as of and for the year ended September 30, 2021, and related notes to the financial statements, which collectively comprise Troy University's basic financial statements, and have issued our report thereon dated June 7, 2022. Our report includes a reference to other auditors who audited the financial statements of Troy University Foundation as described in our report on Troy University's financial statements. The financial statements of Troy University Foundation were not audited in accordance with ***Government Auditing Standards***.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Troy University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Troy University's internal control. Accordingly, we do not express an opinion on the effectiveness of Troy University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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# ***Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards***

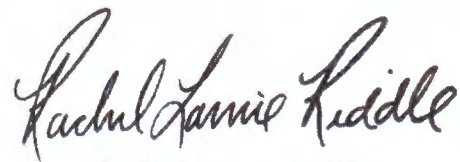
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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Troy University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 7, 2022

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# ***Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance***

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## **Independent Auditor's Report**

Troy University Board of Trustees  
Dr. Jack Hawkins, Jr., Chancellor – Troy University  
Troy, Alabama 36082

### **Report on Compliance for Each Major Federal Program**

We have audited Troy University's, a component unit of the State of Alabama, compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of Troy University's major federal programs for the year ended September 30, 2021. Troy University's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs. The financial statements of Troy University Foundation were not audited in accordance with the *Uniform Guidance*, accordingly, this report does not extend to Troy University Foundation.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance with each of Troy University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*** (*Uniform Guidance*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit also includes examining, on a test basis, evidence about Troy University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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## ***Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance***

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Troy University's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Troy University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

### **Report on Internal Control Over Compliance**

Management of Troy University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Troy University's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Troy University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



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***Report on Compliance for Each Major Federal Program  
and Report on Internal Control Over Compliance  
Required by the Uniform Guidance***

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Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle  
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

June 7, 2022

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## ***Schedule of Findings and Questioned Costs***

### ***For the Year Ended September 30, 2021***

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#### **Section I – Summary of Examiner's Results**

##### **Financial Statements**

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

##### **Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with

2 CFR 200.516(a) of the *Uniform Guidance*?

\_\_\_\_\_ Yes      X   No

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## ***Schedule of Findings and Questioned Costs***

### ***For the Year Ended September 30, 2021***

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#### **Section I – Summary of Examiner's Results**

Identification of major federal programs:

<b>Assistance Listing Numbers</b>	<b>Name of Federal Program or Cluster</b>
84.007	<u>Student Financial Assistance Cluster</u> Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
84.038	Federal Perkins Loan Program – Federal Capital Contributions
93.264	Nurse Faculty Loan Program (NFLP)
	<u>COVID-19 Higher Education Emergency Relief Fund (HEERF)</u>
84.425E	COVID-19 HEERF Student Aid Portion
84.425F	COVID-19 HEERF Institutional Portion

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$3,000,000.00

Auditee qualified as low-risk auditee?

  X   Yes           No

#### **Section II – Financial Statement Findings (GAGAS)**

No matters were reportable.

#### **Section III – Federal Awards Findings and Questioned Costs**

No matters were reportable.